

Message Text

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ACTION NEA-10

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C O R R E C T E D C O P Y (P A R A 5)

E.O. 11652: N/A
TAGS: EFIN, EGEN, EG
SUBJ; ECONOMIC INDICATORS REPORTEDLY IMPROVE

1. IT SEEMS TO US THAT SINCE MID-FEBRUARY PRESIDENT SADAT HAS BEEN GIVING INCREASED ATTENTION TO INTERNAL ECONOMIC AND DOLITICAL AFFAIRS. HE BEGAN WITH EXTENDED TOUR OF CANAL ZONE DURING WHICH HE REVIEWED AREA'S DEVELOPMENT PLANS. PURPOSE OF HIS PERSONAL INVOLVEMENT PRESUMABLY IS TO STIMULATE EFFORT AND URGE ON SLOW-MOVING BUREAUCRACY. SADAT IS SCHEDULED TO CONTINUE HIS FOCUS ON INTERNAL AFFAIRS WITH TOUR OF UPPER EGYPTIAN GOVERNORATES BEGINNING MARCH 26. IN ADDITION TO REVIEW OF DEVELOPMENT PROJECTS, CENTRAL THEME HAS BEEN WHAT SADAT DESCRIBES AS "ASSAULT ON DESERT". HE HAS ORDERED EFFORTS BEGIN TO MOBILIZE RESOURCES FOR EXPANSION INTO DESERT LANDS IN ORDER TO ACHIEVE WHAT HE CALLS "FOOD SECURITY".

2. IN PREPARATION FOR HIS TRIP TO UPPER EGYPT AND BY WAY OF REVIEW OF HIS ACTIVITIES IN CANAL ZONE, SADAT MET WITH
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KEY DOMESTIC ECONOMIC AND POLITICAL ADVISORS MARCH 22.
ACCORDING PRESS ACCOUNTS, ON POLITICAL SIDE
SADAT AFFIRMED DETERMINATION TO PURSUE DEMOCRACY AND NOT TO ALLOW MINORITY GROUPS TO INTERFERE WITH PROCESS; HE SAID THIS (HIS) POLICY ENJOYS CONFIDENCE AND SUPPORT OF MAJORITY OF EGYPTIAN PEOPLE.

3. ON ECONOMIC SIDE SADAT LISTENED TO REPORT BY PRIME MINISTER SALEM AND DEPUTY PRIME MINISTER KAISOUNI WHICH PAINTED GLOWING PICTURE OF RECENT ECONOMIC ACHIEVEMENTS. ACCORDING TO REPORT, GNP, GROSS NATIONAL INCOME, AGGREGATE INVESTMENT AND EXPORT REVENUES SHOWED SIGNIFICANT GAINS FROM 1976 TO 1977. BALANCE OF PAYMENTS DEFICIT AND OUTSTANDING SHORT-TERM CREDITS DECLINED DURING SAME PERIOD. IN ADDITION, PRIME MINISTER NOTED OVER 50 PER CENT INCREASE IN WAGES SINCE 1974; AVERAGE ANNUAL WAGE, ACCORDING TO SALEM, IS NOW LE 523, AN OVERALL INCREASE OF 58.4 PER CENT IN 4 YEARS. SALEM ALSO MENTIONED INCREASES IN PRICES OF BASIC CONSUMER COMMODITIES FOR SAME PERIOD. WHEAT, WHICH IS SUBJECT TO HEAVIEST GOVERNMENT SUBSIDIES, INCREASED 23 PER CENT IN PRICE FROM M 1974 TO 1977. OTHER COMMODITIES CONTINUING TO BENEFIT FROM GOE PRICE SUBSIDIES REGISTERED SIGNIFICANT GAINS; PRICES OF BEANS (PROTEIN STAPLE OF MOST EGYPTIAN DIETS) INCREASED 44 PER CENT; LENTILS, 47 PER CENT; RICE, 56 PER CENT; SUGAR, 33 PER CENT.

4. FOLLOWING IS TABLE OF RELEVANT FIGURES ADAPTED FROM PRESS ACCOUNTS OF REPORT TO PRESIDENT (IN LE MILLIONS):

-	1976	1977
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GNP	10,482	11,741
GN INCOME	5,455	6,216
AGGREGATE INVESTMENT		
- (GOE FINANCED)	1,344	1,790
EXPORT REVENUES	630	776
BOP DEFICIT	593	491
SHORT TERM CREDITS	579	443

5. COMMENT: ECONOMIC REPORT EMPHASIZES GAINS WHICH EGYPTIAN ECONOMY HAS MADE IN PAST 18 MONTHS. FACT IS, OF COURSE, THAT MOST OF THESE GAINS POSSIBLE ONLY BECAUSE OF MASSIVE OUTSIDE ASSISTANCE. KAISOUNI REPORT TO PRESIDENT EVIDENTLY DID NOT SHOW THAT IMPORTS CONTINUE TO INCREASE FAR IN EXCESS OF INCREASE IN EXPORT REVENUES OR THAT DOMESTIC INVESTMENT AND SAVINGS, WHICH MUST BE PRINCIPAL ELEMENT OF ANY REAL ECONOMIC EXPANSION, ARE CURRENTLY LAGGING BEHIND EXPECTATIONS. THERE IS EVERY REASON TO BELIEVE THAT ECONOMIC IMPROVEMENT IS POSSIBLE AS LONG AS OUTSIDE ASSISTANCE CONTINUES. THE IMPORTANCE OF THAT OUTSIDE ASSISTANCE, WHILE NOT MENTIONED BY KAISOUNI'S REPORT, CANNOT BE OVEREMPHASIZED AT THIS STAGE.

6. ANOTHER INTERESTING ASPECT OF REPORT IS DATA ON INCREASES IN WAGES AND CONSUMER PRICES. IT WOULD APPEAR THAT WAGES HAVE JUST ABOUT KEPT PACE WITH GENERAL PRICE INCREASES, ALTHOUGH INFLATION IN PRICES OF NON-CONTROLLED COMMODITIES HAS BEEN SIGNIFICANTLY HIGHER. EILTS

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